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UNCLASSIFIED ZAGREB 001187

SIPDIS

SENSITIVE

STATE PASS USTR
STATE FOR EB/IPC AND EUR/SCE

E.O. 12958: N/A

TAGS: [ETRD](#) [PREL](#) [KIPR](#) [PREL](#) [KIPR](#) [HR](#) [HRETRD](#)

SUBJECT: AMBASSADOR PRESSES DEPUTY PRIME MINISTER ON INTELLECTUAL PROPERTY; 301 DECISON HAVING SALUTORY EFFECT

REF: ZAGREB 541

SENSITIVE BUT UNCLASSIFIED -- PLEASE HANDLE ACCORDINGLY.

SUMMARY

1. (SBU) ON MAY 21, THE AMBASSADOR MET WITH DEPUTY PRIME MINISTER SIMONIC TO DISCUSS CROATIA'S DESIGNATION ON THE SPECIAL 301 WATCH LIST FOR FAILING TO PROTECT U.S. INTELLECTUAL PROPERTY. SIMONIC IS IN CHARGE OF HEALTH AND MINORITY ISSUES. SIMONIC ACKNOWLEDGED THE OBLIGATION CROATIA HAD TO RATIFY THE BILATERAL INTELLECTUAL PROPERTY MOU, AND SAID A KEY GOAL WAS TO PASS THE DRAFT DRUG LAW, WHICH CURRENTLY INCLUDES LANGUAGE ON DATA EXCLUSIVITY. SUBSEQUENT NEWS ITEMS QUOTED SIMONIC AS WILLING TO TRY TO PRESS THE CABINET TO SEND THE MOU TO THE PARLIAMENT FOR RATIFICATION, BUT MINISTER OF HEALTH VLAHUSIC WAS SQUARELY AGAINST RATIFYING THE MOU. END SUMMARY.

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2. (SBU) ON MAY 21, THE AMBASSADOR REVIEWED FOR DEPUTY PRIME MINISTER SIMONIC THE CONTEXT IN WHICH THE 1998 INTELLECTUAL PROPERTY MOU WAS SIGNED. THE U.S. NEGOTIATED THE MOU IN THE CONTEXT OF SUPPORTING CROATIA'S BID TO JOIN THE WTO AND IN CONJUNCTION WITH A BILATERAL INVESTMENT TREATY (BIT). CROATIA WAS NOW A MEMBER OF THE WTO, THE BIT WAS IN FORCE, AND THE MOU WAS STALLED, DESPITE YEARS OF DISCUSSIONS, BOTH IN WASHINGTON AND IN ZAGREB. HE WAS VERY DISAPPOINTED THAT GOC FAILURE TO ACT HAD ALLOWED CROATIA TO "DRIFT" ONTO THE WATCH LIST. WHILE OUR GOAL WAS TO SOLVE PROBLEMS, THE 301 PROCESS DID CONTAIN MECHANISMS THAT COULD WELL LEAD TO TRADE SANCTIONS DOWN THE ROAD IF THE GOC DID NOT ACT.

3. (SBU) THE AMBASSADOR NOTED APPROVINGLY THE NEWS THAT THE LATEST ITERATION OF THE DRAFT PHARMACEUTICAL LAW CONTAINED LANGUAGE ON DATA EXCLUSIVITY DRAWN FROM THE EU MODEL. (THE LANGUAGE HAS BEEN IN AND OUT OF THE DRAFT AT LEAST ONCE BEFORE.) HE HOPED THAT DATA EXCLUSIVITY WOULD REMAIN IN THE LEGISLATION, BE ENACTED AND IMPLEMENTED SOON.

4. (SBU) SIMONIC REMARKED THAT HE WAS RELATIVELY NEW IN THE GOVERNMENT. ONE OF HIS AND HIS PARTY'S (HSS -- CROATIAN PEASANT'S PARTY) MAIN PRIORITIES WAS TO PASS A NEW DRUG LAW. UPON ENTERING THE GOVERNMENT, HE LEARNED ABOUT THE ISSUE OF THE MOU. SIMONIC CONCLUDED THAT THE GOC HAD AN OBLIGATION TO THE U.S. TO RATIFY THE MOU. CROATIA ALSO HAD TO FOLLOW INTERNATIONAL RULES, SUCH AS THOSE OF THE WTO, STABILITY PACT AND THE EU. HE WAS NOT AN ECONOMIST, AND ADMITTED THAT HE HAD NOT BEEN ABLE TO OBTAIN DATA ON WHAT THE EFFECT WOULD BE ON THE CROATIAN HEALTH SYSTEM OR ON CROATIAN COMPANIES OF INTRODUCING DATA EXCLUSIVITY. SIMONIC SAID HE WAS PUSHING

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FOR THE DRUG LAW, WHICH WAS IMPORTANT FOR CROATIA AND HIS PARTY, AND HE BELIEVED THE MOU WOULD BE RATIFIED AS WELL. HOWEVER, HE WARNED, THE MINISTRY OF HEALTH WOULD HAVE TO COMMENT ON THE DRAFT LEGISLATION. SIMONIC FLAGGED THE MOU'S PROVISION FOR PIPELINE PROTECTION OF DRUGS AS A CONCERN AS WELL.

5. (SBU) THE AMBASSADOR THANKED SIMONIC FOR HIS RECOGNITION OF THE GOVERNMENT'S OBLIGATION TO RATIFY THE MOU. WHILE ANY COUNTRY COULD EXPERIENCE DELAYS IN RATIFICATION, WHAT HAD BEEN OF CONCERN IN CROATIA WAS THE LACK OF EXECUTIVE COMMITMENT TO PUSH FOR RATIFICATION.

6. (U) THE MEDIA COVERED THE VISIT FAIRLY EXTENSIVELY, AND FOR THE FIRST TIME REPORTED ON THE 301 ANNOUNCEMENT. (SIMONIC HAD ARRANGED AN UNUSUAL POOL SPRAY AT THE TOP OF THE MEETING). AFTER THE MEETING, SIMONIC TOLD THE PRESS THAT THE GOVERNMENT WOULD WORK HARD TO GET CROATIA OFF THE WATCH LIST, AND SAID HE WOULD PRESS FOR MOU RATIFICATION WITHIN THE CABINET. HE NOTED THAT WHILE CROATIA WAS ON A LIST WITH COUNTRIES SUCH AS PAKISTAN AND JAMAICA (PRESUMABLY NOT A GOOD THING), THERE WERE OTHER EUROPEAN COUNTRIES SUCH AS ITALY ON THE LIST AS WELL.

7. (U) THE MEDIA ALSO INTERVIEWED MINISTER OF HEALTH VLAHUSIC, WHO WAS LESS FORTHCOMING. VLAHUSIC (FOR REPORT OF

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ACTION EB-00

INFO	LOG-00	NP-00	AF-00	AID-00	CEA-01	CIAE-00	CTME-00
	INL-00	DODE-00	DOEE-00	ITCE-00	SRPP-00	DS-00	EXME-00
	EUR-00	E-00	UTED-00	VC-00	FRB-00	H-01	TEDE-00
	INR-00	IO-00	ITC-01	LAB-01	LOC-01	L-00	VCE-00
	AC-01	NSAE-00	NSCE-00	OES-00	OIC-02	OMB-01	OPIC-01
	PA-00	PER-00	PM-00	PRS-00	ACE-00	P-00	SCT-00
	SP-00	SSO-00	SS-00	STR-00	TEST-00	TRSE-00	T-00
	USIE-00	PMB-00	DSCC-00	PRM-00	DRL-01	G-00	NFAT-00
	SAS-00	SWCI-00	/011W				

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P 271543Z MAY 03
FM AMEMBASSY ZAGREB
TO SECSTATE WASHDC PRIORITY 0304
INFO AMEMBASSY BELGRADE PRIORITY
AMEMBASSY BRATISLAVA PRIORITY
AMEMBASSY BUCHAREST PRIORITY
AMEMBASSY BUDAPEST PRIORITY
AMEMBASSY LJUBLJANA PRIORITY
AMEMBASSY SARAJEVO PRIORITY
AMEMBASSY SKOPJE PRIORITY
AMEMBASSY TIRANA PRIORITY
AMEMBASSY WARSAW PRIORITY
DEPT OF COMMERCE WASHDC PRIORITY
USEU BRUSSELS PRIORITY
USMISSION GENEVA PRIORITY

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SUBJECT: AMBASSADOR PRESSES DEPUTY PRIME MINISTER ON
INTELLECTUAL PROPERTY; 301 DECISION HAVING SALUTORY EFFECT

AMBASSADOR'S FEBRUARY MEETING WITH THIS MINISTER, SEE
REFTEL), TOLD NATIONAL RADIO THAT WHILE THERE WAS LANGUAGE IN
THE DRAFT DRUG LAW WHICH WOULD PROVIDE DATA EXCLUSIVITY,
CROATIA WAS DOING SOMETHING THAT IT DID NOT REALLY HAVE TO DO
UNTIL EU ACCESSION. IN ANOTHER PRINT INTERVIEW, HE IS QUOTED
AS SAYING THAT "WITH THE NEW LAW ON DRUGS, AND BY JOINING THE
WTO, CROATIA HAS ACCEPTED EVERYTHING THAT RELATES TO THE
PROTECTION OF INTELLECTUAL PROPERTY... THE U.S. IS ASKING
CROATIA TO SIGN SOMETHING THAT HAS NOT EVEN BEEN SIGNED BY
SOME EU MEMBERS."

18. (SBU) WE HAVE HEARD FROM INDUSTRY SOURCES THAT VLAHUSIC
MAY PLAN TO SUGGEST AMENDMENTS TO THE DRAFT DRUG LAW THAT
WOULD DELAY IMPLEMENTATION UNTIL EU ACCESSION. THE
AMBASSADOR SENT A LETTER MAY 21 TO MINISTER VLAHUSIC, SHORTLY
BEFORE THE MEETING WITH DPM SIMONIC (TEXT EMAILED TO USTR, EB
AND THE DESK), URGING SPEEDY RATIFICATION OF THE BILATERAL IP
MOU.

19. (SBU) COMMENT: THE 301 ANNOUNCEMENT HAS HAD THE EFFECT
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OF HIGHLIGHTING THE MOU AND THE GOVERNMENT'S BILATERAL
COMMITMENTS TO THE U.S. THIS HAS STRENGTHENED THE HAND OF
OUR ALLIES IN THE GOVERNMENT -- THE MFA, THE MINISTRY OF
ECONOMY, AND EVEN THE STATE INSTITUTE OF INTELLECTUAL
PROPERTY -- AND RAISED THE AWARENESS LEVEL OF THOSE WHO WERE
HARDLY AWARE OF THE ISSUE BEFORE, FOR EXAMPLE, THE DEPUTY
PRIME MINISTER IN CHARGE OF HEALTH ISSUES. THE 301
ANNOUNCEMENT POINTS UP THE FALLACY OF THE HEALTH MINISTER'S
ARGUMENTS TO US (REFTEL) -- THAT IS, THAT SINCE THE GOC IS
COMPLYING WITH TRIPS, IT DOES NOT NEED TO RATIFY THE MOU --
AND EXPOSES HIS POSITION AS PANDERING TO THE LOCAL INDUSTRY.
WHILE THERE IS MORE MOMENTUM THAN BEFORE TO RATIFY THE MOU,
THERE WILL ALSO BE A TEMPTATION ON THE PART OF THE
GOVERNMENT, LOOKING AT THE LONG TIMELINE BEFORE THE NEXT 301
REVIEW, TO PUT THIS ON THE BACK BURNER. WE WILL DO OUR BEST
TO KEEP THE HEAT ON.
ROSSIN

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